

ACCOUNTING
Time allowed – 2 hours
Total marks – 100

[N.B. – The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

Marks

1. (a) What is a Statement of Financial Position? How does information of Statement of Financial Position help the users to make economic decisions? 4
- (b) What is a cash book? How discount is treated in the cash book? 4
- (c) How would you account for material amount of inventory destroyed by fire or stolen which was subject to insurance claim? 4
- (d) When an existing accounting policy may be changed? State the accounting treatment required. 3
2. Sakib Enterprise discovered the following irregularities in the accounting records for the month ended 31 March 2017.
 - 1) Purchase of office equipment for Tk. 23,000 has been debited to raw materials inventory account.
 - 2) Salary payment of Tk. 2,400 has been debited to salary expense. Tk. 400 of which are paid for the accruals made in February 2017.
 - 3) Payment to supplier for previous due of Tk. 4,500 is credited to cash for Tk. 5,400.
 - 4) Pre-paid insurance expired for Tk. 6,500 which is credited to pre-paid rent for Tk. 5,600.
 - 5) Sales of Tk. 8,900 on account have not been recorded.
 - 6) A raw materials purchase of Tk. 350 had been recorded in the purchase account as Tk. 850, but the accounts payable account was correctly written up.
 - 7) The purchase day book included a credit note for Tk. 230 as an invoice in the total column. The correct entry was made in the purchase account.

Required:

- (i) Prepare the correcting entries assuming that the enterprise prepares monthly financial statements. 7
- (ii) Show the adjustment of the correcting entries on profit or loss. Assume profit before correcting the errors was Tk. 49,000. 3
3. (a) Adjusted trial balance of Hussein and Co. for the year ended 31 December 2016 is enumerated below:

<u>Account Name</u>	<u>Debit Taka</u>	<u>Account Name</u>	<u>Credit Taka</u>
Cash	7,000	Accumulated Depreciation	33,750
Accounts Receivable	22,000	Accounts Payable	5,000
Supplies (closing inventory)	5,500	Interest Payable	150
Pre-paid insurance	2,500	Notes Payable	5,000
Equipment	58,000	Unearned Service Revenue	5,600
Owner's drawings	2,000	Salaries Payable	1,500
Salaries expense	11,500	Owner's Equity	14,500
Insurance expense	750	Service Revenue	63,000
Interest expense	500		
Depreciation expense	6,750		
Supplies expense	8,000		
Rent expense	4,000		
	<u>128,500</u>		<u>128,500</u>

Required:

- (i) Prepare the closing entries. 6
- (ii) Prepare the post-closing trial balance. 6
- (b) Keya's Cash Book at 30 November 2016 showed an overdrawn position of Tk. 3,630 although her bank statement showed only Tk. 2,118 overdrawn. Detailed examination of the two records revealed the following:
 - 1) The debit side of the cash book had been undercast by Tk. 300.
 - 2) A cheque for Tk. 1,560 in favor of Rabeya Suppliers Ltd. had been omitted by the bank from its statement, the cheque having been debited to another customer's account.
 - 3) A cheque for Tk. 182 drawn for payment of the telephone bill had been entered in the cash book as Tk. 128 but was shown correctly on the bank statement.
 - 4) A cheque for Tk. 210 from Wasi having been paid into the bank was dishonored and shown as such on the bank statement although no entry relating to the dishonor had been made in the cash book.
 - 5) The bank had debited a cheque for Tk. 126 to Keya's account in error; it should have been debited by the bank to Kemmy's account.

- 6) A dividend of Tk. 90 on Keya's holding of Ordinary Shares has been paid direct to her bank account and no entry made in the cash book.
- 7) Cheques totaling Tk. 1,260 drawn on 29 November had not been presented for payment
- 8) A lodgment of Tk. 1,080 on 30 November had not been credited by the bank.
- 9) Interest amounting to Tk. 228 had been debited by the bank but not entered in the cash book.

Required:

- (i) Make any necessary entries in the cash book to prepare the corrected cash book. 7
- (ii) Prepare a bank reconciliation statement based on the corrected cash book as at 30 November 2016. 7

4. (a) During the month of June 2016, RACO Resources Ltd. completed the following transactions:

- 1) Performed services for a customer of Tk. 10,000 and received cash of Tk. 7,500.
- 2) Purchased supplies on account, Tk. 7,000.
- 3) Paid Tk. 5,000 on accounts payable.
- 4) Collected cash Tk. 1,500 from a customer and paid tuition fees of Tk. 500 for son of owner.
- 5) Paid office rent Tk. 900 and advertising expenses Tk. 300.

Required:

Analyse the effects of the preceding transactions on the accounting equation of RACO Resources Ltd. 5

(b) The following account is extracted from the income statement of Mr. Smith for the year ending 31 December 2016:

	<u>Taka</u>
Sales	2,71,400
Less Cost of goods sold:	
Opening inventory	34,000
Add: Purchase	<u>2,37,000</u>
	2,71,000
Less: Closing inventory	<u>(41,000)</u>
	<u>(2,30,000)</u>
Gross Profit	<u>41,400</u>

Mr. Smith says that normally he adds 20% to the cost of goods to fix the sales price. However, this year there was some arithmetical errors in these calculations.

Required:

- (i) Calculate what his sales would have been if he had not made any error. 3
- (ii) Given that his expenses remain constant at 9% of his sales, calculate his net profit for the year 2016. 4
- (iii) He thinks that next year he can increase his mark up to 25%, selling goods which will cost him Tk. 2,60,000. If he does not make any more error in calculating selling prices, you are to calculate the expected gross and net profits for 2016. 5

5. The following trial balance related to Shaad Limited as at 31 March 2017:

	Debit	Credit
	<u>Taka ('000)</u>	<u>Taka ('000)</u>
Revenue	-	427,600
Administrative expense	17,000	-
Selling and distribution expense	17,400	-
Cost of sales	287,600	-
Closing inventories at 31 March 2017	21,000	-
Long term borrowings	-	10,000
Income from investment property	-	4,800
Finance costs	10,000	-
Gratuity payable (long term)	-	1,200
Cash and cash equivalents	3,600	-
Land and Building at valuation	126,000	-
Plant and equipment at cost	72,000	-
Accumulated depreciation on plant and equipment at 1 April 2016	-	33,600
Investment property at valuation on 1 April 2016	32,000	-
Plant held for sale	16,000	-
Accounts and other receivable	27,000	-
Short term borrowings	-	1,800
Accounts and other payable	-	23,600

Ordinary shares of Tk. 20 each	-	40,000
Irredeemable preference shares of Tk. 10 each	-	10,000
Revaluation reserve	-	42,000
Retained earnings at 1 April 2016	-	35,000
	<u>629,600</u>	<u>629,600</u>

The following notes are relevant:

- i. An inventory count at 31 March 2017 listed some damaged goods that had cost Tk. 1.6 million. These items could be sold for an estimated Tk. 1 million.
- ii. Finance costs include an ordinary dividend of Tk. 2 per share that was paid in September 2016.
- iii. Land and Building were revalued at Tk. 30 million and Tk. 96 million respectively on 1 April 2016 creating Tk.42 million revaluation reserve. At this date the remaining life of the building was 15 years. Building is depreciated on straight line basis. The Company does not make a transfer to realize profits in respect to excess depreciation.
- iv. Plant and equipment is depreciated at 12.50% on the reducing balance basis. Depreciation on both the building and the plant & equipment should be charged to cost of sales.
- v. On 31 March 2017 a qualified surveyor valued the investment property at Tk. 27 million. The Company uses the fair value model in BAS 40 Investment Property to value investment property.
- vi. The rate of corporate income tax is 35%.

Required:

- (i) Prepare the statement of comprehensive income for the year ended 31 March 2017; and 16
- (ii) Prepare the statement of financial position as at 31 March 2017. 16